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ADMIN

SUBJECT: UPDATE ON RETIREMENT AND SOCIAL SECURITY LEGISLATION

REF: DIRECTOR 738359, DTD 7 NOVEMBER 1983

1. REFERENCE ADVISED THAT CONGRESS WAS CONSIDERING ENACTMENT OF INTERIM LEGISLATION DEALING WITH THE DUAL WITHHOLDING REQUIREMENT FOR SOCIAL SECURITY AND THE CIVIL SERVICE RETIREMENT SYSTEM (CSRS). AN INTERIM MEASURE HAS NOW BEEN ENACTED THAT OFFERS SOME RELIEF TO THIS PROBLEM, PENDING DEVELOPMENT BY THE CONGRESS OF A RETIREMENT PROGRAM TO SUPPLEMENT SOCIAL SECURITY COVERAGE. UNDER THE PROVISIONS OF THIS NEW LEGISLATION, EMPLOYEES HIRED ON OR AFTER 1 JANUARY 1984 WILL BE REQUIRED TO CONTRIBUTE 5.4 PERCENT TO SOCIAL SECURITY (INCREASED TO 5.7 PERCENT IN 1985) AND 1.3 PERCENT TO MEDICARE, HOWEVER, CONTRIBUTIONS TO CSRS FOR NEW EMPLOYEES WILL BE REDUCED TO 1.3 PERCENT FOR A COMBINED TOTAL OF 8 PERCENT OF GROSS ANNUAL SALARY (8.3 PERCENT IN 1985). AS REPORTED IN REFERENCE, SOCIAL SECURITY AND MEDICARE WITHHOLDINGS ARE APPLIED TO A SPECIFIC ANNUAL AMOUNT. CURRENTLY WITHHOLDINGS ARE MADE FOR THE FIRST \$35,700 OF GROSS ANNUAL SALARY. THIS BASE WILL INCREASE TO \$37,800 IN CALENDAR YEAR 1984.

2. AGAIN IT SHOULD BE NOTED THAT CURRENT EMPLOYEES AND THOSE

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HIRED PRIOR TO 1 JANUARY 1984 ARE NOT SUBJECT TO THE SOCIAL SECURITY
WITHHOLDING REQUIREMENT OR THE PROVISIONS OF THIS LEGISLATION. FOR
CURRENT EMPLOYEES AND THOSE HIRED PRIOR TO 1 JANUARY 1984, SALARY
WITHHOLDINGS WILL REMAIN AT 7 PERCENT FOR RETIREMENT AND 1.3 PERCENT
FOR MEDICARE.

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